

**MINUTES OF SPECIAL MEETING
OPEN SESSION
June 9, 2010
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Wednesday, June 9, 2010 a Special Meeting of the Illinois Gaming Board ("Board") was held on the 9th floor of the James R. Thompson Center in Chicago, Illinois.

On Wednesday, June 9, 2010 at approximately 10:00 a.m. the following Board Members were present: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, Joseph Moore and James Sullivan. At 10:04 a.m. on Wednesday, June 9, 2010, Chairman Jaffe called the meeting to order. Pursuant to Section 2(c), paragraphs (1) and (14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Personnel matters; and**
- 2. Investigations concerning applicants and licensees.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by voice vote. The Board remained in Closed Session until approximately 10:30 a.m. The Board recessed and then went into open session at 10:42 a.m.

Chairman Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore were present.

CHAIRMAN'S COMMENTS –

The Chairman stated that today's meeting will address the Video Gaming Rulemaking. Public commentary on such will be at a later date.

ADMINISTRATOR'S COMMENTS –

Administrator Ostrowski stated that the Rulemaking process is another step in the video gaming process.

BOARD POLICY ITEMS

- Video Gaming – Discussion of Proposed Rulemaking

General Counsel Fries commented on the Proposed Rulemaking.

In October, 2009 the IGB began the rulemaking process relative to Video Gaming. The Board adopted a set of initial Rules on an emergency basis and simultaneously, began the standard promulgation process.

The emergency rules became effective on October 19, 2009. On February 22, 2010, the Rules became effective, with some modification, following the standard promulgation process.

Today, staff is asking the board to consider a set of additional, new Rules related to video gaming.

Additionally, staff is asking the Board to consider a few modifications to the previously adopted video gaming rules.

Subpart A of the rules concern General Provisions: including definitions.

We have added 21 new definitions to the Rules. They include definitions for the following:

1. Affiliated entity
2. Attributed interest
3. Enforce a security interest
4. EPROM – which is an acronym
5. Games
6. Gaming
7. Gaming operation
8. Gaming property collateral
9. Institutional Investor
10. Liquor license
11. Major components or parts
12. Nominee
13. Ownership interest
14. Person with significant interest and control
15. Secured party
16. Security
17. Security agreement
18. Security interest
19. Sole proprietor
20. Substantial interest, and
21. Video gaming equipment.

Five (5) changes to existing definitions are for clarification purposes.

Eight (8) changes to existing definitions are due to the recent statutory changes to the law. They primarily concern the definition of CREDIT, the addition of limited liability company (LLCs) as a form of ownership, and the addition of another requirement in order to meet the definition of a licensed truck stop establishment.

These are proposed changes, at this time, to Subpart B of the Video Gaming Rules relating to Duties of Licensees, Subpart C, relating to Standards of Conduct for Licensees, or Subpart D, relating to Licensing Qualifications.

Getting to Subpart E, Licensing Procedures there is a change to section 520 having to do with Applications.

The changes involve an addition to the section regarding institutional investors, and what form it must file, if qualified.

Application Procedures are added including procedures to withdraw applications.

No other changes are made to subpart E.

There is a scope change to Subpart F, Denials of Applications for Licensure.

Some of the new rules deal with security interests and enforcement procedures and requirements.

If there is a denial involved with a security enforcement request, there has to be a mechanism available to contest that decision.

Subpart F is simply modified to reflect that change.

No changes to Subparts G or H of the existing Rules.

The new Rules that staff is asking the Board to consider today include 3 new subparts.

Subpart I involves Security Interests.

As mentioned earlier, we are defining “gaming property collateral” and in this subpart we are defining “gaming property collateral” and in this subpart we are establishing that the Board must approve any enforcement of a security interest in that property.

Consistent with the next subpart, dealing with transportation of Video GTs, the Board cannot lose oversight of licensed VGTs by way of foreclosure proceeding.

Sections 910 and 920 set out the scope of the requirement and the corresponding procedure.

Section 930 requires prior registration by any person who intends to provide financing for VGTs and by a party who holds a security interest in gaming property collateral.

Source of funds and security interests are a concern to staff and the Board. Our ability to track, monitor, substantiate and investigate those matters will test our ability to effectively regulate the video gaming industry.

Subpart J concerns the transportation and distribution of video gaming terminals.

Section 1010 reinforces the need for licensure to operate, sell, distribute, supply or transfer VGTs.

Section 1020 concerns the transportation of VGTs into the State, sets out a detailed list of what information is required and provides for inspection prior to delivery to a licensed location.

Section 1030 involves the receipt of VGTs in the State. 1030 sets out the information required to be provided to the Board and addresses the storage of VGTs upon receipt.

Section 1040 sets out requirements and procedures for the transportation of VGTs between locations in the State.

Section 1050 sets out requirements and procedures for the distribution of VGTs outside the State.

Section 1060 requires that any location used to store, display, repair, service or maintain VGTs must be approved.

Section 1070 sets out what information is needed and procedure to dispose of VGTs.

Subpart K is also new. It concerns State-Local relations.

We have listened to concerns expressed by various municipalities or municipal organizations.

Boiling it all down it appears to us that the major issue is one of communication.

Section 1110 attempts to address that concern.

Licensed locations will have to identify in their applications the name of the police department or sheriff's office under whose jurisdiction it falls. We will notify that department or office when we take action to authorize or prohibit the use of video gaming terminals at that location.

On the other hand, we are counting on municipalities and law enforcement agencies to notify the Board if they take any action relating to the operation or use of VGTs in their respective jurisdictions.

Member Gardner asked a question about the proposed definition of institutional investor. Member Gardner stated that "we clearly allow pension funds who are for the benefit of state and public employees to be institutional investors, do one of these eight proposals include pension funds which represent employees of corporations." General Counsel stated it could; and it would fall under number 8. The Board would use discretion if it determines that the pension fund is consistent with the Act and Rules and other factors. The Board would have the discretion to allow that. Member Gardner went on to ask if there is a reason that they don't have cart blanche. General Counsel Fries stated that it could be depending on what the pension fund was, the Board may have concerns about that, and that would be dealt with on a case by case basis.

Chairman Jaffe commended General Counsel Fries and his legal staff on a great job and that the Board will enforce these Rules and they will be enforced very strictly. The Chairman stated that the Board will be fair and those who have not dealt with the board before hand, will understand that these Rules will be enforced very strictly, as the Board has a reputation for strict enforcement.

- Amended Emergency Rules (Partial)

Member Sullivan moved to authorize the adoption of the following amended rules regarding video gaming on an emergency basis: 1800.110, 1800.520, 1800.610, 1800.615 and 1800.650.

Member Sullivan further moved to authorize staff to submit these amended rules regarding video gaming for First Notice Filing with the Secretary of State upon final review and approval by the Administrator. The Board approved the motion unanimously by roll call vote.

- Proposed Emergency Rules (Partial)

Member Winkler moved to authorize the adoption of the following proposed rules regarding video gaming on an emergency basis: 1800.910, 1800.920, 1800.930, 1800.1010, 1800.1020, 1800.1030, 1800.1040, 1800.1050, 1800.1060 and 1800.1070.and 1800.1110.

I further move to authorize staff to submit these proposed rules regarding video gaming for First Notice Filing with the Secretary of State upon final review and approval by the Administrator. The Board approved the motion unanimously by roll call vote.

General Counsel Fries stated that the Rules will be posted on our website as soon as possible.

Member Gardner asked General Counsel Fries to explain the process for finalizing the Rules. Mr. Fries went on to explain the process.

Member Gardner went on to state that a meeting will be scheduled for a later date so that the public can comment on the Rules.

At 10:57 a.m. Member Winkler motioned to reconvene to Closed Session and Member Sullivan seconded the motion. All Members voted in favor to reconvene to Closed Session.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator